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SUBJECT: Importing Barley A "Treasonous" Act

Refs: A) 04 Minsk 1280, B) Minsk 923

11. (SBU) Summary: The GOB has been trying to promote domestic beer production since 2003. Though Belarusian beer is cheap and sold in half-liter or larger bottles, the low quality of the barley used in brewing has resulted in even worse tasting beer and the industry's loss in competitiveness on the market. Higher quality barley is needed, but President Lukashenko insists that only Belarusian barley be used and subsequently banned any import of foreign barley, warning that importation would be a treasonous act. Belarusian farmers, however, failed to meet President Lukashenko's 150,000-ton quota on barley production and specialists claim that the 2005 crop is of worse quality than that of 2004. Ignoring the wet weather conditions and the cold climate, Lukashenko blamed the insufficient barley production on the Ministry of Agriculture's (MoA) bad management. However, breweries expect the MoA to achieve the desired quota by lowering standards and/or mixing barley with other plant parts. End Summary.

The Leader's Love For Beer

12. (U) Since 2003, the GOB has aggressively increased and promoted domestic beer production by giving breweries preferential subsidies, directed loans, and government support, as well as limiting imports, to cash in on Belarusians' appetite for beer. The driving force behind this trend, not surprisingly, has been President Lukashenko (who reportedly does not drink). In a gesture of gratitude, one brewery created a beer named after the President's place of birth, Alexandria, after the GOB directed a private bank to lend the brewery USD 36 million for modernization. Though relatively cheap (most at around USD 70 cents per half liter), the quality of Belarusian beer is affecting its already shaky standing on the domestic markets.

The Cause For Concern

13. (U) Barley is a major ingredient in beer. The quality and amount of protein in the barley affects the taste and preservation of the beer produced. Brewers and agronomists have noted that Belarusian barley does not meet high enough standards to produce a quality beer, but Lukashenko believes otherwise. In his 2004 and 2005 annual videoconference on the harvest campaign (reftels), Lukashenko ignored his specialists' suggestions to import higher-quality barley and accused

them of serving only foreign interests and not those of their country. Instead, Lukashenko insisted that Belarusian barley was of good enough quality and demanded breweries use only the domestic crop.

¶4. (U) In September, a production engineer at a Belarusian brewery reported to the independent press that the quality of Belarus' 2005 yield of barley ranked much lower than that of the already low 2004 yield. The engineer predicted that if Belarus did not import barley, the quality of Belarusian beer would be so poor that it would lose its competitiveness on the domestic market. However, as in the past, Lukashenko denied the inferiority of Belarusian barley and publicly warned his ministers in September that "not a single grain" of barley would be imported into Belarus in 2005.

The Officials' Opinion

¶5. (U) On September 26, Poloff met with officials at the Ministry of Agriculture who supported the President's stance about Belarusian barley. According to the officials, the GOB expected farmers to surpass 2004's 150,000-ton (metric) yield of barley, 60,000 tons of which would be used for brewing and 15 percent of which would be high quality. The officials stressed that no barley would be imported because Belarus would meet its domestic needs. The tone of the statement contradicted what MoA officials had preached to Poloff throughout the meeting, particularly that breweries and companies could import commodities if they so chose without government interference.

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¶6. (U) Though the MoA officials praised the quality of barley, they did grumble about the domestic barley's high moisture content and the subsequent loss of its color. Poloff mentioned the opinions of some specialists that because of Belarusian barley, breweries would produce poor-tasting beer. One official laughed at the comment and cited how Belarusian beer received a gold medal in 2004 for its quality and taste. He failed, however, to specify what type of "gold medal", from whom, and what brand of beer.

Real Experts Disagree

¶7. (SBU) In August, Econoff spoke with a German brew master, who worked for Anheiser-Busch for 25 years, currently managing the launch of a new brewery in Belarus. This brewery is an American-Belarusian joint venture and is being built to modern western standards. He stated that Belarusian barley is of inferior quality for beer production and he had serious doubts Belarus would even be able to produce enough low-grade barley. His brewery was talking with local collective farms to try and find one willing to produce barley to their specifications, but it would take five years to get the first usable crop and so far they had not found a farm they thought could grow barley of sufficient quality. Another problem is that Belarus only has one company that can turn barley into malt, Belsolod, and it is state owned and produces an inferior product. Even if the brewery could find decent barley, there is no guarantee Belsolod would use that grain for its malt, when only low-grade barley was available for state breweries.

Who Is At Fault?

¶8. (U) On October 5, Lukashenko again warned that any import of barley would be regarded as evidence of

corruption and "damage to the peasantry." In his opinion, a ban on the importation of barley would save Belarus USD 150-200 million in 2005. The president's statements came after the GOB realized only two of the country's six oblasts fulfilled their regional quota and, as a result, Belarus' total barley production dropped 40 percent on the year to 90,000 tons; far below the expected 150,000 tons. Coming on the heels of the President's statement, the first deputy head of the Presidential Administration Aleksandr Popkov blamed the MoA and the state-owned food processing plant Belgospishcheprom for the "insufficient production of quality malting barley." Popkov blamed the two agencies' bad management, and not wet weather or poor growing conditions, for the loss.

Which Way Out?

19. (U) In interviews with the independent press, some brewery specialists believe that the MoA and Belgospishcheprom, fearing the president's anger, will fulfill the 150,000-ton barley quota in one of two ways. First, the GOB would combine the barley kernels with other pieces of the plant, such as the chaff and stalks, to reach the desired weight. Though usually discarded in most circumstances, these extra plant pieces, according to some specialists, would give the barley a darker color and higher protein content. The second method would be to simply lower the minimum quality standards of the barley, contributing even more to the low quality of beer. Belarusian breweries note that either method would be a giant blow to their industry. Lukashenko claimed that a ban on barley imports would save the GOB USD 150-200 million, but specialists agree that the amount spent on producing beer with such low-quality raw materials while the beer's competitiveness drastically falls would cost more than USD 200 million.

Comment

110. (SBU) Lukashenko, the former collective farm boss and "expert" in agriculture and micromanagement, has put the Ministry of Agriculture in a Catch-22 scenario. The MoA must meet the barley quota, even though the country

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failed to produce the amount and the President made its importation a criminal act. The only other solution is to lower the minimum standards of quality, but Lukashenko warned that poor quality barley would also be "unacceptable."

111. (SBU) Lukashenko has made a decision that defies common sense, much like Nikita Khrushchev's failed corn campaign in the 1960s. The President continues to stubbornly ignore the expert opinion of specialists and refuses to admit that Belarus cannot produce the desired barley needed for beer production. Whereas other nations estimate the possible yields, Lukashenko sets the bar and expects no less. In past years, Lukashenko has also criticized his government for importing hops. So far he has not raised this issue, much to the relief of Belarusian beer drinkers.

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